



**JOHN CHIANG**  
*California State Controller*

December 30, 2008

All California State Agencies

Dear Department Director:

Due to the lack of General Fund cash, the State has been meeting its expenditures utilizing a combination of internal and external borrowings. Unfortunately, because the Legislature and the Governor have been unable to fashion a solution which adequately addresses the current budgetary problems, my office has projected that, in approximately 60 days, there will be insufficient cash available to meet all expenditures reflected in the 2008-09 Budget Act.

Without immediate cash solutions or the ability to borrow billions from the strained financial markets, the State Controller's Office has no choice but to pursue the deferral of potentially billions of dollars in payments and/or the issuance of individual registered warrants, commonly referred to as IOUs. To ensure that the State can meet its obligations to schools, debt service, and others entitled to payment under the State Constitution, federal law or court order, California may begin, as early as February 1, 2009, issuing registered warrants to individuals and entities in lieu of regular payments.

The State Controller's Office cannot register any payments made via its direct deposit (commonly referred to as electronic funds transfer) program. All payments to be registered must be in the form of a Controller's warrant. Therefore, agencies with program payments requiring registration will not be able to make any of those program payments using the direct deposit process. To accomplish this, agencies will have to take those payees off direct deposit and include them on the electronic claim submitted that results in a Controller's warrant.

[Attached](#) is a list of programs with direct deposit payments that would be impacted if the State Controller's Office is forced to issue registered warrants. Please make the changes necessary to allow the impacted direct deposit payees to be paid with a registered warrant. In addition, please have appropriate agency staff contact their State Controller's Office representatives immediately to coordinate the submission of a test file demonstrating your ability to successfully make the conversion. Agencies not able to successfully make this conversion will either have to

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delay making payments to the impacted payees or revert to a manual claim schedule process. If you have any questions, please contact:

EDP Audits:

Kate Imura-Delmendo, Audit Manager, (916) 327-9786, [kimurade@sco.ca.gov](mailto:kimurade@sco.ca.gov)

Elizabeth Gonzalez, Audit Manager, (916) 324-0622, [egonzalez@sco.ca.gov](mailto:egonzalez@sco.ca.gov)

Claim Audits:

Liz Cornell, Audit Manager, (916) 324-1899, [ecornell@sco.ca.gov](mailto:ecornell@sco.ca.gov)

Disbursements:

Medi-cal Program Only:

Elaine Rice, Disbursements Manager, (916) 327-5375, [erice@sco.ca.gov](mailto:erice@sco.ca.gov)

All Other Disbursement Programs:

Kathie Cimini, Disbursements Manager, (916) 323-5166, [kcimini@sco.ca.gov](mailto:kcimini@sco.ca.gov)

Sincerely,

*Original signed by:*

JOHN CHIANG  
California State Controller

Enclosure